



# EARNINGS PRESENTATION

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Q3 2021 RESULTS | November 4, 2021

# SAFE HARBOR

A number of forward-looking statements will be made during this presentation. Forward-looking statements are any statements that are not historical facts. These forward-looking statements are based on the current expectations of Motorola Solutions, and we can give no assurance that any future results or events discussed in these statements will be achieved. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. Forward-looking statements are subject to a variety of risks and uncertainties that could cause our actual results to differ materially from the statements contained in this presentation.

Risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied in the forward-looking statements include, without limitation: (i) the impact, including increased costs and potential liabilities, associated with changes in laws and regulations regarding privacy, data protection and information security; (ii) challenges relating to existing or future legislation and regulations pertaining to artificial intelligence (“AI”) and AI-enabled products; (iii) the impact of government regulation of radio frequencies; (iv) audits and regulations and laws applicable to our U.S. government customer contracts and grants; (v) impacts of, and associated responses to, COVID-19 and other catastrophic events; (vi) additional compliance obligations and increased risk and competition associated with the expansion of our platforms within our Products and Systems Integration and Software and Services segments; (vii) the effectiveness of our investments in new products and technologies; (viii) the effectiveness of our integrations of acquired businesses; (ix) a security breach or other significant disruption of our IT systems; (x) our inability to protect our intellectual property or potential infringement of intellectual property rights of third parties; (xi) our license of the MOTOROLA, MOTO, MOTOROLA SOLUTIONS and the Stylized M logo and all derivatives and formatives thereof from Motorola Trademark Holdings, LLC; (xii) the global nature of our employees, customers, suppliers and outsource partners; (xiii) our use of third-parties to develop, design and/or manufacture many of our components and some of our products, and to perform portions of our business operations; (xiv) the inability of our subcontractors to perform in a timely and compliant manner; (xv) our inability to purchase at acceptable prices a sufficient amount of materials, parts, and components, as well as software and services, to meet the demands of our customers; (xvi) risks related to our large, multi-year system and services contracts; (xvii) the inability of our products to meet our customers’ expectations or regulatory or industry standards; (xviii) impact of current global economic and political conditions in the markets in which we operate; (xix) the inability to settle for cash our 1.75% senior convertible notes; (xx) impact of returns on pension and retirement plan assets and interest rate changes; (xxi) inability to attract and retain senior management and key employees; (xxii) impact of product regulatory and safety, consumer, worker safety and environmental laws; (xxiii) inability to access the capital markets for financing on acceptable terms and conditions; (xxiv) impact of tax matters; (xxv) impact of the American Rescue Plan Act of 2021 on our business; (xxvi) the return of capital to shareholders through dividends and/or repurchasing shares; and (xxvii) impact of Executive Order 14042 on Ensuring Adequate COVID Safety Protocols for Federal Contractors on our business. For additional information on identifying factors that may cause actual results to vary materially from those stated in forward-looking statements, see our reports on Forms 10-K, 10-Q and 8-K filed with or furnished to the SEC from time to time available for free on the SEC’s website at [www.sec.gov](http://www.sec.gov), and on Motorola Solutions’ website at [www.motorolasolutions.com/investor](http://www.motorolasolutions.com/investor)

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# HIGHLIGHTS

Q3 2021



- **Sales of \$2.1B, up 13% vs. the prior year**
  - Products and Systems Integration up 14% on growth in Land Mobile Radio (“LMR”) and video security
  - Software and Services up 11% on growth in LMR services, video security, and command center software
- **Record Q3 ending backlog of \$11.4B, up 7% year over year**
- **GAAP EPS of \$1.76**
- **Non-GAAP EPS<sup>1</sup> of \$2.35, up 21% versus a year ago**
- **Operating cash flow of \$376M; Free cash flow<sup>2</sup> of \$315M**
- **Repurchased \$137M of shares and paid \$120M in dividends**
- **Subsequent to quarter end, acquired Envysion, a leader in enterprise video security and business analytics for \$124M<sup>3</sup>**

<sup>1</sup> Non-GAAP measures exclude highlighted items, including share-based compensation expenses and intangible assets amortization expense

<sup>2</sup> Free Cash Flow is a non-GAAP financial measure and is calculated as Net cash provided by operating activities - Capital Expenditures.

<sup>3</sup> Net of cash acquired



# FINANCIAL RESULTS

	Q3 20	Q3 21	CHANGE
REVENUE	\$1,868	\$2,107	13%
NON-GAAP OPERATING EARNINGS*	\$463	\$555	20%
NON-GAAP OPERATING MARGIN*	24.8%	26.3%	150 bps
NON-GAAP EARNINGS PER SHARE*	\$1.95	\$2.35	21%

(\$M) excluding per share amounts

\* Non-GAAP measures exclude highlighted items, including share-based compensation expenses and intangible assets amortization expense.

# CASH FLOW

(M\$)	Q3 20 YTD	Q3 21 YTD	CHANGE	FY 20 ACT	FY 21 EST	CHANGE
OPERATING CASH FLOW	\$909	\$1,134	\$225	\$1,613	\$1,825	\$212
CAPITAL EXPENDITURES	(\$151)	(\$175)	(\$24)	(\$217)	(\$250)	(\$33)
FREE CASH FLOW*	\$758	\$959	\$201	\$1,396	\$1,575	\$179

\* Free Cash Flow is a non-GAAP financial measure and is calculated as Net cash provided by operating activities - Capital Expenditures.

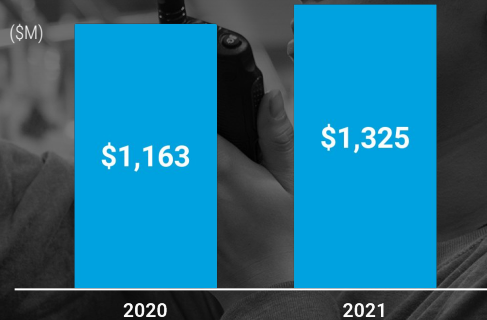


# PRODUCTS & SI

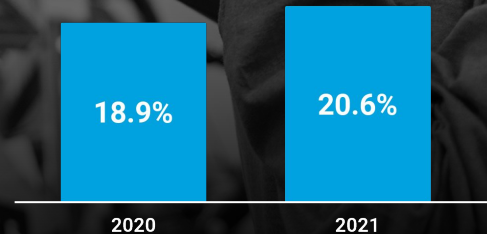
Q3 2021

## Revenue

(\$M)



## Non-GAAP Operating Margin %\*



\* Non-GAAP measures exclude highlighted items, including share-based compensation expenses and intangible assets amortization expense.

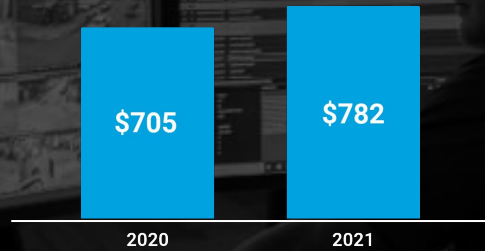
- Revenue up 14% driven by growth in LMR and video security
- Non-GAAP Operating margin\* up 170 bps driven by higher sales, higher gross margins and improved operating leverage
- Notable wins and achievements:
  - \$72M of P25 orders for a U.S. federal customer
  - \$70M TETRA order for the German Navy
  - \$45M TETRA system upgrade order for a customer in EMEA
  - \$43M P25 order for a North America customer
  - \$22M P25 upgrade order for Metro São Paulo, Brazil
  - 23% growth in Video Security and Access Control products

# SOFTWARE & SERVICES

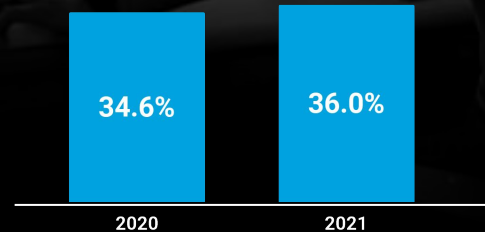
Q3 2021

## Revenue

(\$M)



## Non-GAAP Operating Margin %\*



\* Non-GAAP measures exclude highlighted items, including share-based compensation expenses and intangible assets amortization expense.

- Revenue up 11%, driven by growth in LMR services, video security, and command center software
- Non-GAAP operating margin\* up 140 bps driven by higher sales, higher gross margins and improved operating leverage
- Notable multi-year wins and achievements:
  - \$41M command center software contract with a U.S. state and local customer
  - \$31M P25 multi-year services extension for a customer in North America
  - \$17M PTT over broadband multi-year renewal with a large U.S. customer
  - \$7M CommandCentral suite and video security order with the City of Yonkers, NY
  - 32% growth in Video Security and Access Control software
  - Launched the M500, the first in-car video system enabled by artificial intelligence

# REGIONAL REVENUE

Q3 2021

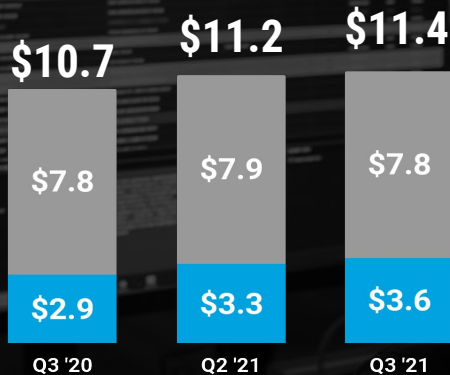
(\$M)	Q3 20	Q3 21	CHANGE
NORTH AMERICA	\$1,268	\$1,449	14%
INTERNATIONAL	\$600	\$658	10%
<b>TOTAL</b>	<b>\$1,868</b>	<b>\$2,107</b>	<b>13%</b>

- **North America** growth driven by LMR, video security, and command center software
- **International** growth driven by LMR, video security, and command center software



# BACKLOG TREND

(\$B)



■ Products and SI ■ Software and Services

## Software and Services

- Y/Y up \$6M; driven by a \$479M increase in multi-year services and software contracts, partially offset by revenue recognition on Airwave and ESN
- Q/Q down \$112M primarily driven by revenue recognition for Airwave and ESN, partially offset by growth in multi-year services and software contracts in North America

## Products and Systems Integration

- Y/Y up \$704M driven primarily by LMR growth in both regions
- Q/Q up \$256M driven primarily by LMR growth in both regions

# OUTLOOK

(NON-GAAP)\*



## PRIOR FULL-YEAR 2021

Revenue Growth	9.5% - 10%
Non-GAAP EPS	\$8.88 - \$8.98

## UPDATED FULL-YEAR 2021

Revenue Growth	10% - 10.25%
Non-GAAP EPS	\$9.00 - \$9.04

- Effective tax rate approx. 21.5%
- Fully diluted share count approx. 174M

\*FY outlook assumes current FX rates as of November 4<sup>th</sup>, 2021

# Q&A PARTICIPANTS

## **GREG BROWN**

Chairman and CEO

## **JASON WINKLER**

Executive Vice President and CFO

## **TIM YOCUM**

Vice President, Investor Relations

## **JACK MOLLOY**

Executive Vice President,  
Worldwide Products, Sales & Services

## **MAHESH SAPTHARISHI**

Senior Vice President and CTO,  
Software Enterprise & Mobile Video



# USE OF NON-GAAP MEASURES

In addition to the results presented in accordance with accounting principles generally accepted in the U.S. ("GAAP") included in this presentation, Motorola Solutions, Inc. (the "Company") also has included non-GAAP measurements of results, including free cash flow, non-GAAP operating earnings, non-GAAP EPS and non-GAAP operating margin. The Company has provided these non-GAAP measurements to help investors better understand its core operating performance, enhance comparisons of core operating performance from period-to-period and allow better comparisons of its operating performance to that of its competitors. Among other things, management uses these operating results, excluding the identified items, to evaluate the performance of its businesses and to evaluate results relative to certain incentive compensation targets. Management uses operating results excluding these items because it believes these measurements enable it to make better period-to-period evaluations of the financial performance of its core business operations. The non-GAAP measurements are intended only as a supplement to the comparable GAAP measurements and the Company compensates for the limitations inherent in the use of non-GAAP measurements by using GAAP measures in conjunction with the non-GAAP measurements. As a result, investors should consider these non-GAAP measurements in addition to, and not in substitution for or as superior to, GAAP measurements.

Details of these items and reconciliations of the non-GAAP measurements provided during this presentation to GAAP measurements can be found in this appendix to this presentation and on Motorola Solutions' website at [investors.motorolasolutions.com](https://investors.motorolasolutions.com).

The Company has not quantitatively reconciled its guidance for forward-looking non-GAAP metrics to their most comparable GAAP measure because the Company does not provide specific guidance for the various reconciling items as certain items that impact these measures have not occurred, are out of the Company's control, or cannot be reasonably predicted. Accordingly, a reconciliation to the most comparable GAAP financial metric is not available without unreasonable effort. Please note that the unavailable reconciling items could significantly impact the Company's results.

Free Cash Flow - Represents net cash provided by operating activities ("operating cash flow") less capital expenditures. The Company believes that free cash flow is useful to investors as the basis for comparing its performance and coverage ratios with other companies in the Company's industries, although the Company's measure of free cash flow may not be directly comparable to similar measures used by other companies. This measure is also used as a component of incentive compensation.

# SUPPLEMENTAL DISAGGREGATION OF REVENUE

## Motorola Solutions, Inc. Disaggregation of Revenues

Below is an updated presentation of the disaggregation of revenues for the Company's major products and services for the three months ended September 26, 2020 and October 2, 2021 to provide a more comprehensive view of the Company's technologies within our reporting segments, Products & Systems Integration and Software & Services:

**Land Mobile Radio Mission Critical Communications ("LMR")** - Includes revenues from infrastructure, devices (two-way radio and broadband, including both for public safety and Professional Commercial Radio) and software that enable communications, inclusive of installation and integration, backed by services, to assure availability, security and resiliency.

**Video Security and Access Control** - Includes revenues from cameras (fixed, body-worn, in-vehicle), access control, infrastructure, video management, software and artificial intelligence-enabled analytics that enable visibility "on scene" and bring attention to what's important.

**Command Center Software** - Includes revenues from our Software suite that enables collaboration and seamless information sharing through the public safety workflow from 911 call to case closure.

	Three Months Ended						Growth % by Total Technology
	September 26, 2020			October 2, 2021			
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total	
<i>(In millions)</i>							
LMR	\$ 989	\$ 510	\$ 1,499	\$ 1,111	\$ 547	\$ 1,658	11 %
Video Security and Access Control	174	77	251	214	102	316	26 %
Command Center Software	—	118	118	—	133	133	13 %
Total	\$ 1,163	\$ 705	\$ 1,868	\$ 1,325	\$ 782	\$ 2,107	13 %



# SUPPLEMENTAL NON-GAAP MEASURES

Motorola Solutions, Inc. and Subsidiaries Non-GAAP Trend  
(In millions, except for per share amounts)

Motorola Solutions, Inc. and Subsidiaries Non-GAAP Trends  
(In millions, except for per share amounts)

	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21
Net sales	\$ 1,657	\$ 1,860	\$ 1,994	\$ 2,377	\$ 1,655	\$ 1,618	\$ 1,868	\$ 2,273	\$ 1,773	\$ 1,971	\$ 2,107
GAAP gross margin	773	931	1,007	1,220	787	766	909	1,146	860	952	1,045
Non-GAAP gross margin adjustments:											
Pelco purchase accounting adjustment	—	—	—	—	—	—	3	4	—	—	—
Share-based compensation expenses	4	3	3	4	5	4	3	4	4	4	4
Reorganization of business charges	4	4	3	6	6	15	3	5	2	3	2
Non-GAAP gross margin	781	938	1,013	1,230	798	785	918	1,159	866	959	1,051
GAAP Operating earnings ("OE")	229	349	413	590	259	218	352	555	298	370	451
Non-GAAP OE Adjustments:											
Share-based compensation expenses	23	27	27	27	33	27	28	25	25	27	30
Reorganization of business charges	4	8	15	13	12	26	10	9	14	6	2
Intangible assets amortization expense	50	52	52	54	53	51	54	57	58	58	56
Other highlighted items*	1	1	(4)	13	(21)	18	10	8	10	14	10
Non-GAAP OE	\$ 315	\$ 444	\$ 509	\$ 707	\$ 347	\$ 359	\$ 463	\$ 667	\$ 411	\$ 482	\$ 555
GAAP OE %	13.8 %	18.8 %	20.7 %	24.8 %	15.6 %	13.5 %	18.9 %	24.4 %	16.8 %	18.8 %	21.4 %
Non-GAAP Adj %	5.2 %	5.1 %	4.8 %	4.9 %	5.4 %	8.7 %	5.9 %	4.9 %	6.4 %	5.6 %	4.9 %
Non-GAAP OE %	19.0 %	23.9 %	25.5 %	29.7 %	21.0 %	22.2 %	24.8 %	29.3 %	23.2 %	24.4 %	26.3 %
GAAP Other income (expense)	(44)	(74)	(65)	(397)	(35)	(42)	(101)	(33)	(9)	(30)	(46)
Non-GAAP below OE highlighted items*	(8)	(23)	(26)	(353)	1	4	(61)	3	6	(1)	(19)
Non-GAAP Other income (expense)	(36)	(51)	(39)	(44)	(36)	(46)	(40)	(36)	(15)	(29)	(27)
GAAP Net earnings attributable to Motorola Solutions, Inc.	151	207	267	244	197	135	205	412	244	293	307
Non-GAAP above OE highlighted items*	86	95	96	117	88	141	111	112	113	112	104
Non-GAAP below OE highlighted items*	8	23	26	353	(1)	(4)	61	(3)	(6)	1	19
Non-GAAP tax adjustments and effect	(22)	(27)	(28)	(197)	(21)	(31)	(38)	(24)	(27)	(47)	(21)
TOTAL Non-GAAP Earnings attributable to Motorola Solutions, Inc.	\$ 223	\$ 298	\$ 361	\$ 517	\$ 263	\$ 241	\$ 339	\$ 497	\$ 324	\$ 359	\$ 409
GAAP attributable to Motorola Solutions, Inc. earnings per share ("EPS")	\$ 0.86	\$ 1.18	\$ 1.51	\$ 1.39	\$ 1.12	\$ 0.78	\$ 1.18	\$ 2.37	\$ 1.41	\$ 1.69	\$ 1.76
Non-GAAP attributable to Motorola Solutions, Inc. EPS adjustments*	0.42	0.51	0.53	1.55	0.37	0.61	0.77	0.49	0.46	0.38	0.59
Non-GAAP attributable to Motorola Solutions, Inc. EPS	\$ 1.28	\$ 1.69	\$ 2.04	\$ 2.94	\$ 1.49	\$ 1.39	\$ 1.95	\$ 2.86	\$ 1.87	\$ 2.07	\$ 2.35
Diluted weighted average shares outstanding	174.6	176.1	176.4	175.6	175.9	173.6	173.5	173.5	173.2	173.1	174.1

\*Highlighted items: The company has excluded the effects of highlighted items including, but not limited to, acquisition-related transaction fees, tangible and intangible asset impairments, certain non-cash pension adjustments, legal settlements and other contingencies, gains and losses on investments and businesses, Hytera-related legal expenses, and the income tax effects of significant tax matters, from its non-GAAP operating expenses and net income measurements because the company believes that these historical items do not reflect expected future operating earnings or expenses and do not contribute to a meaningful evaluation of the company's current operating performance or comparisons to the company's past operating performance. For the purposes of management's internal analysis over operating performance, the company uses financial statements that exclude highlighted items, as these charges do not contribute to a meaningful evaluation of the company's current operating performance or comparisons to the company's past operating performance.



# SUPPLEMENTAL NON-GAAP MEASURES

## Reconciliation of Net cash provided by operating activities to Free cash flow

	Three Months Ended	
	October 2, 2021	September 26, 2020
Net cash provided by operating activities	\$ 376	\$ 392
Capital expenditures	(61)	(49)
Free cash flow*	<u>\$ 315</u>	<u>\$ 343</u>

*\*Free cash flow is a non-GAAP financial measure and is calculated as Net cash provided by operating activities - Capital expenditures*

# SUPPLEMENTAL NON-GAAP MEASURES

**Motorola Solutions, Inc. and Subsidiaries**  
**Reconciliations of Operating Earnings to Non-GAAP Operating Earnings and Operating Margin to Non-GAAP Operating Margin**  
(In millions)

Three Months Ended October 2, 2021

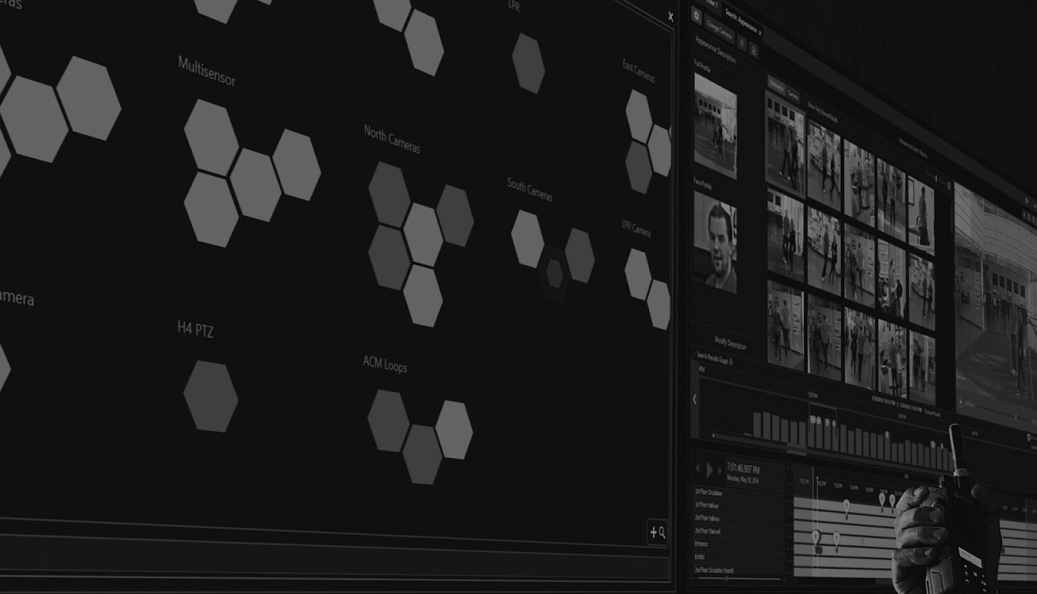
	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 2,107	\$ 1,325	\$ 782
Operating earnings ("OE")	\$ 451	\$ 224	\$ 227
Above-OE non-GAAP adjustments:			
Intangible assets amortization expense	56	13	43
Share-based compensation expenses	34	25	9
Hytera-related legal expenses	8	8	—
Reorganization of business charges	4	3	1
Acquisition-related transaction fees	2	—	2
Total above-OE non-GAAP adjustments	104	49	55
Operating earnings after non-GAAP adjustments	\$ 555	\$ 273	\$ 282
Operating earnings as a percentage of net sales - GAAP	21.4 %	16.9 %	29.1 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	26.3 %	20.6 %	36.0 %

# SUPPLEMENTAL NON-GAAP MEASURES

**Motorola Solutions, Inc. and Subsidiaries**  
**Reconciliations of Operating Earnings to Non-GAAP Operating Earnings and Operating Margin to Non-GAAP Operating Margin**  
(In millions)

Three Months Ended September 26, 2020

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 1,868	\$ 1,163	\$ 705
Operating earnings ("OE")	\$ 352	\$ 164	\$ 188
Above-OE non-GAAP adjustments:			
Intangibles amortization expense	54	12	42
Share-based compensation expenses	31	22	9
Reorganization of business charges	13	10	3
Acquisition-related transaction fees	5	3	2
Hytera-related legal expenses	5	5	—
Pelco purchase accounting adjustment	3	3	—
Total above-OE non-GAAP adjustments	111	55	56
Operating earnings after non-GAAP adjustments	\$ 463	\$ 219	\$ 244
Operating earnings as a percentage of net sales - GAAP	18.9 %	14.1 %	26.7 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	24.8 %	18.9 %	34.6 %



**THANK YOU**

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